97-84051-16

U.S. Congress. Senate.

Providing for extension of credit to foreign grain...

Washington

1923

97-84051-16
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308
Z U.S. Congress. Senate. Committee on agricul-
Box 137 ture and forestry.
Providing for extension of credit to foreign grain importers through the War finance corporation; hearings... Sixty-seventh Congress, fourth session, on S. 4102... January 23, 1923... Washington, Govt. print. off., 1923.
cover-title, 17 p. 23cm.

407169

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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 10:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 3-25-97 INITIALS: BB

TRACKING # : 22755

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Bill 137

PROVIDING FOR EXTENSION OF CREDIT TO FOREIGN GRAIN IMPORTERS THROUGH THE WAR FINANCE CORPORATION

HEARINGS

BEFORE THE

Bill

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-SEVENTH CONGRESS
FOURTH SESSION

ON

S. 4132

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE FURTHER FOR THE NATIONAL SECURITY AND DEFENSE AND FOR THE PURPOSE OF ASSISTING IN THE PROSECUTION OF THE WAR, TO PROVIDE CREDITS FOR INDUSTRIES AND ENTERPRISES IN THE UNITED STATES NECESSARY OR CONTRIBUTORY TO THE PROSECUTION OF THE WAR, AND TO SUPERVISE THE ISSUANCE OF SECURITIES, AND FOR OTHER PURPOSES," APPROVED APRIL 5, 1918, AND FOR OTHER PURPOSES

JANUARY 23, 1923.

Printed for the use of the Committee on Agriculture and Forestry

WASHINGTON
GOVERNMENT PRINTING OFFICE
31813 1923

COMMITTEE ON AGRICULTURE AND FORESTRY.

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H.R. 4 Oct. 1923

PROVIDING FOR EXTENSION OF CREDIT TO FOREIGN GRAIN IMPORTERS THROUGH THE WAR FINANCE CORPORATION.

TUESDAY, JANUARY 23, 1923.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to call, in room 224, Senate Office Building, at 10.30 o'clock a. m., Senator George W. Norris presiding.

Present: Senators Norris (chairman), Capper, Keyes, Norbeck, McKinley, Ransdell, Harrison, and Heflin.

The CHAIRMAN. Gentlemen, the committee will come to order. This meeting was called for the purpose of hearing witnesses on S. 4132, a bill introduced by Senator Norbeck.

(The bill is here printed in full, as follows:)

["S. 4132, Sixty-seventh Congress, fourth session.]

"A BILL To amend an act entitled 'An act to provide further for the national security and defense and for the purpose of assisting in the prosecution of the war, to provide credits for industries and enterprises in the United States necessary or contributory to the prosecution of the war, and to supervise the issuance of securities, and for other purposes,' approved April 5, 1918, and for other purposes.

"*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That when used in this act the term 'person' shall be construed to mean an individual citizen of the United States, a partnership composed of such citizens, a corporation organized under the laws of the United States or of one of the component States thereof, or an association composed of such citizens, partnerships, or corporations.

"SEC. 2. That the War Finance Corporation act, approved April 5, 1918, as amended, is amended by adding after section 28 of Title I thereof a new section, to read as follows:

" 'SEC. 29. That the corporation is hereby authorized and empowered—

" '(a) To purchase, without recourse against the drawer thereof, and upon such other terms not inconsistent with this act as it may determine, from any person of the United States producing or dealing in foodstuffs or wool or cotton products, or any articles manufactured therefrom in the United States, drafts or bills of exchange secured by bills of lading or other instruments in writing conveying or securing merchantable title to said foodstuffs or wool or cotton products or any articles manufactured therefrom in the United States when such drafts or bills of exchange are drawn against sales of said foodstuffs, products, or manufactured articles by any such person to a foreign buyer or buyers established and doing business in foreign countries to be secured by proper and sufficient collateral or by the guaranty of a legally established foreign government, or by both such collateral and guaranty as may be deemed advisable in the judgment and discretion of the directors of the War Finance Corporation. No such drafts or bills of exchange or conveyance of title shall have a maturity of more than six months from the time of purchase: *Provided*, That in the discretion of the directors of the War Finance Corporation such maturity may be fixed not to exceed nine months.

" '(b) To purchase, without recourse against the drawer or indorser thereof, and upon such other terms not inconsistent with this act as it may determine, from any bank, banker, or trust company of the United States, drafts or bills of exchange or conveyance of title, secured by proper and sufficient collateral or by the guaranty of a legally established foreign government, or by both such collateral and guaranty in the manner described in paragraph (a) of this section, when said bank, banker, or trust company has purchased and guaranteed drafts or bills of exchange from a person of the United States producing or dealing in foodstuffs, or wool or cotton products,

or any articles manufactured therefrom in the United States, without recourse against such person.

"'The said corporation shall provide for the registration with it of all contracts, bills of exchange, or conveyances of title entered into between said sellers of the United States and those foreign buyers whose purchase contracts and drafts and conveyances of title have collateral or guaranties as provided herein. Purchases of drafts or bills of exchange or conveyances of title may be made under this section at any time prior to July 1, 1924. The aggregate amount of such purchases authorized under the provisions of this section of the act shall not at any time exceed $250,000,000.

"'(c) That any provisions of the War Finance Corporation act, as amended, inconsistent with section 29 herein provided are hereby repealed.'"

The CHAIRMAN. Senator Norbeck, who will be your first witness?

Senator NORBECK. I want to say that this bill is the idea of Mr. Gould, of Kewanee, Ill., who is the first witness, and who came down here the first part of December and suggested that this was a method of getting some real relief for the farmer. I suggest that you let Mr. Gould explain the bill.

The CHAIRMAN. Mr. Gould, we will be very glad to hear from you.

STATEMENT OF MR. W. E. GOULD, OF KEWANEE, ILL.

The CHAIRMAN. Will you first give your name, occupation, and residence?

Mr. GOULD. W. E. Gould, farmer and banker, Kewanee, Ill.

The CHAIRMAN. Now, you may proceed, Mr. Gould.

Mr. GOULD. I presume that before this committee, which is an agricultural committee, there is not much use of my going into the question of the need of the farmer. I think that inasmuch as this is an agricultural committee that point is pretty well in your minds. You know the farming conditions of the country are the worst that they have been for a long time, especially in the Northwest, in the great wheat-growing States and in the corn-growing States.

Of course, the idea might occur to you that the prices which the farmers are obtaining are better than they were, and, indeed, that they are not so terribly low, but the great trouble is, which you know just as well as I do, and I will not take much time on this point, is the relation between prices that is causing all the difficulty that is, the price the farmer has to pay for what he gets and the price he gets for his product. In years gone by, when we were boys, there was a sort of equation and equality between farm prices and other things. For example, I used to hear my father say that a bushel of wheat represented a day's work, and that, for many years, was a sort of parity between farm prices, the price of labor and other things, such as manufactured articles. That parity existed until we came to the war. Then the war came along and pushed all the prices up. We will suppose that represented where my hands are now [indicating], and then the prices of everything were pushed up high. Farm products and everything else went up high. Manufactured articles stayed up, because of organized labor and organized manufacturers, but farm products got the deflation and went way down low, and there is that distance [demonstrating] between the price that the farmer has to pay for what he buys and what he gets for what he sells.

Within a recent short period farm products have come up a little bit and manufactured articles have also gone up, but the scale has turned heavily against the farmer.

Now, the difficulty that the farmer has to-day is this surplus. If we were on a domestic basis in the United States prices of farm products would go right along with other things, they would go along with the price of organized labor and with the price of manufactured articles; but as a matter of fact we have got a surplus and that causes the trouble. If we could get rid of the surplus—and it isn't much, as I will show a little later in what I have to say—but I want to call your attention to this fact, that a year ago 20,000,000 bushels of corn were shipped to Russia and donated by the Congress of the United States, and that shipment of corn raised the price of corn left in this country 10 cents a bushel, so that while we gave away $10,000,000 in money, because of the raise in the price of 3,000,000,000 bushels of corn which was left to the extent of 10 cents a bushel, we increased its value $300,000,000. I am just giving that as an illustration to show that if we can get rid of a small amount of surplus it will have a good effect on prices.

The next thing I want to call your attention to is the fact that what the farmer needs worst of all is a price for his product. I think the bills that you have had before the Senate and House here in Washington for credit are admirable, fine bills, and if I were here I would vote for the main bills just the same as you probably will vote for them, but it seems to me that they do not fully meet the case, and that what we need in addition to these credits is a price.

I want to call your attention to the fact that there are a larger proportion of farmers that are unable to profit by this credit extension. They are the tenant farmers of the country. Forty-four per cent of the farmers of the United States, I am told, are tenants. There is another portion of the farmers of the United States that are borrowed up to the limit now and can not borrow any more. I do not know what that number is, but let us say it would be 55 per cent altogether of farmers that can not benefit by any sort of credit measure. What they want is a price and they need a price more than the farmer who is able to get credit.

Now, in order to get a price—I think we will all agree that price is what the farmer needs, and I do not think I need spend any time discussing that—in order to get a price there are three things that ought to be done; there are three ways in which the price can be raised on farm products.

First, we can curtail production; second, we can orderly market what we have; in other words, hold back from the market until such times as it should be sold; and the third thing we can do is to increase the market.

Now, the question of curtailing production I won't discuss at all, because we do not think it is practicable. I think you will all agree with me that that is not a practical thing, although the manufacturers do it.

Now, the question of orderly marketing is a very good question, and the farm bureaus are working on that to the fullest extent, but I am told by the leaders of the farm bureaus that it will be five years before they can really accomplish what they want to in the way of orderly marketing. That would leave the third thing, namely, to increase the foreign market as the only way in which we can at the present time increase the price which the farmers are obtaining.

Now, this bill which Senator Norbeck introduced provides something that will increase prices by increasing foreign markets. I will just read about three sentences that will tell you what the bill is. This bill provides that the War Finance Corporation shall furnish a revolving fund of $250,000,000 for the purchase of drafts against responsible foreign importers, guaranteed by their governments, against shipments of farm products from the United States. I said it was but three sentences. It is just one sentence.

Now, Europe is our only customer. Europe is not able to buy from the United States with gold to-day because the United States has one-half of the gold of the world and there is mighty little left for Europe to buy with. In the second place Europe can not buy by means of exchanging their goods with the people of the United States on account of the existing laws of the United States at this time. They are unable to make manufactured articles and send them over and trade them for ours on account of these laws. Therefore, the only way in which we can sell Europe is to sell Europe on credit. The question will immediately arise, of course, will that credit be any good. That is a question for us to discuss.

I am told by the best informed people that I have been talking with that this credit can be handled so that it will be good. Now, Senator Norbeck's bill provides that these foreign drafts shall be signed and guaranteed by the foreign importer, and we presume that he is a responsible foreign importer, and that the foreign importers in many of the European countries to-day are good, many of them are very responsible, and many of them are obtaining some credit in the United States now. In addition to that, this bill proposes that the foreign importer shall have his draft guaranteed by his government.

Senator MCKINLEY. But your bill does not say that. Your bill says that it shall be secured by proper or sufficient collateral.

Mr. GOULD. I am coming to that in a moment.

Senator MCKINLEY. But you say that is to be done and in addition to that——

Mr. GOULD. I will say it can be in addition or may be in addition; let me change it in that way.

Senator MCKINLEY. But your bill doesn't say that, then.

Senator NORBECK. I think we changed the wording of the bill before I introduced it. I think Mr. Nelson and I went over it and changed it somewhat with the intention of bringing it under discussion of the board, not knowing how many of these foreign governments really had authority to guarantee.

Senator MCKINLEY. That is, you have changed his bill?

Senator NORBECK. Yes.

Mr. GOULD. The thought being this, that the War Finance Corporation would have discretion to take ordinary foreign importers' paper if they considered it good and it was properly collateralized, or they could take the foreign government's indorsement, or they could take both the foreign government and the importer and the collateral, the thought being to leave it to the War Finance Corporation as to what would be the best policy.

There are one or two things I want to say about the bill. One of them is that this bill does not provide especially that the Government shall go into business. I do not know much about Washington. I am down in Illinois, and I read the papers down there, and the papers say that it is impossible to get any bill through Washington wherein the Government has to go into the business of buying or selling and things of that sort. You know more about that than I do, but I want to say that this bill does not provide that the Government should go into business. It simply provides that the Government, which is already in the loaning business—the War Finance Corporation has already loaned money—and this bill simply provides that it will go just one step further and instead of loaning it to people here in America, that they will loan it to people without the United States.

The CHAIRMAN. The effect of it is to loan money to the foreign importer?

Mr. GOULD. Yes; that is the effect of it.

The CHAIRMAN. And to take such credits as in their judgment they may think good.

Mr. GOULD. That is it; that is exactly the idea.

The CHAIRMAN. I want to ask you this, although I may be early with my question, with respect to the time limit. The time provided in the bill is six months, with a proviso that it can be extended to nine months?

Mr. GOULD. Yes, sir.

The CHAIRMAN. Do you think that is time enough? Many of these foreign governments won't be able to pay in that length of time from the evidence we have.

Mr. GOULD. The bill provides primarily for the foreign importer, and we believe in that length of time he would be able to make a turnover so that he could pay.

The CHAIRMAN. He won't be able to turn himself by selling the stuff, will he?

Mr. GOULD. I think so.

The CHAIRMAN. Do you think they will?

Mr. GOULD. I think they will.

The CHAIRMAN. Have you any evidence on that point?

Mr. GOULD. No; I haven't any evidence to offer, except that I have talked with two or three exporters who have done this kind of business; in fact, they are doing it now.

The CHAIRMAN. And they think they can get the money in six months?

Mr. GOULD. Yes.

The CHAIRMAN. We had some testimony here some time ago on a bill that was defeated a year ago last March, from representatives of some of the foreign Governments, and I remember their testimony, on cotton, for instance, was to the effect that they wanted as long as three years' time on some of it, at least.

Mr. GOULD. I have been told that there have been credits turned over there in a more or less limited way for 30 days, 60 and 90 days, some few as long as six months, but most of the credits were even shorter than the time I have mentioned. However, that would be a matter that could be determined later on.

The CHAIRMAN. I speak of it now because it is quite important at this time. If longer time is needed to do the business, and we still think it ought to be done, we ought to give them that time in this bill so that it could be extended and so as to make it work in a practical way.

Mr. GOULD. I would be perfectly willing to have the time extended longer, so far as I am concerned, and then the short time would take care of itself.

There is one other thought I wanted to mention, and that is if we are going to do very much for the farmer it ought to be done pretty soon. This bill is something that can operate right away. In other words, the War Finance Corporation is to-day in existence; they have $500,000,000 capital. They have loaned out something like $200,000,000 of that, and I am told that that is being paid back at the rate of about $1,000,000 a day. That was the last that I heard, when I talked to Mr. Eugene Meyer, who was complimenting himself on the speed with which the money was being paid back. There would be available at the present time $300,000,000 to $350,000,000. Now, that is an organization that is already organized, already doing business, and we could give quick and immediate relief. In other words, if the Congress of the United States would pass this bill, in one week's time it could function; you would not have to organize any great affair, but it is ready to do business now.

There is just one other thought. I do not want to tire you, but that is that when we help the farmer we help the rest of the United States. I know I need not dwell on that with the committee to which I am addressing my remarks here to-day. If the farmers are prosperous they will buy from the manufacturers, they will have money to pay their debts, their interest, and taxes; that will immediately reflect back on the country and make the whole country prosperous. You will agree with me on that without any further discussion of it, I am sure. The main point I want to bring out is this, that the farmer needs a price worse than anything else, and the way to get that price is to give him a foreign market. When he gets this foreign market and gets a price he is prosperous. When he is prosperous the rest of the country is prosperous.

Now, as to the amount of grain that should be taken out of the country in order to raise the price, I have taken that question up carefully with some men who are well posted on these things, and they tell me if we could send out of the United States fifty to seventy million bushels of wheat—that is a small amount, and it doesn't take much to change it—that it would cause the price to rise very materially.

Senator NORBECK. How much did we send out last year?

Mr. GOULD. I am unable to tell; I haven't those figures.

Senator MCKINLEY. I imagine we exported 150,000,000 bushels.

Mr. GOULD. I think so. I am told that another 50,000,000 bushels sent out would raise the price very materially, and I am also told that 30,000,000 bushels of corn taken out of the United States to-day would add pretty nearly 25 per cent to the price of corn. I am told that 15,000,000 bushels of oats would do the same thing. In other words, that 100,000,000 bushels of grain taken out of the United States to-day would remove the surplus and would cause the price to go up on a parity with manufactured articles and organized labor.

I thank you, gentlemen.

The CHAIRMAN. Mr. Roberts, of Omaha, is here, and we will be glad to hear him.

STATEMENT OF GEORGE A. ROBERTS, OMAHA, NEBR.

The CHAIRMAN. Mr. Roberts, please state your name, residence, and occupation?

Mr. ROBERTS. George A. Roberts, Omaha, Nebr. I am in the grain business, the banking business, and I own considerable farm lands and operate them in Nebraska.

The thing that interests me in these bills that have been introduced here is the provision that should be made for two classes of farmers; that is, the tenant farmer who owns no land on which to borrow, and secondly, the class of farmers who have already borrowed to the limit and have no more collateral on which to borrow. Now, those two classes of farmers come first, the tenant farmer who owns no land on which to borrow money, and the farmer who already has borrowed up to the limit and has no more collateral on which to borrow. The only relief that I can see for those farmers is to give them a price for their product if we are going to enable them to pay the debts they already owe and to continue farming.

I think, as a grain merchant, that there is a great deal to be developed in Europe in the way of exports of grain. But, as Mr. Gould has said, those countries over there can not pay cash, as they did before the war, and it is going to be necessary, if we develop those fields and find new fields for our agricultural products, to extend to those people credit and take the best collateral, the best security that we can get; and I think this revolving fund mentioned in the Norbeck bill of $250,000,000 is a thing that will solve that problem. In fact I do not think the Government would have to expend a hundred million, because I think the efiect of the bill alone would raise the price to the farmer.

The CHAIRMAN. Do you export any grain?

Mr. ROBERTS. Not personally.

The CHAIRMAN. To whom do you sell?

Mr. ROBERTS. Well, of course, we sell to the big elevator concerns, such as we have in Omaha, with which you are of course familiar.

The CHAIRMAN. Do you sell outside of Omaha?

Mr. ROBERTS. No, because in the export business, when you get in the export business it is business that comes in half million, million, or three or four million bushel lots. That is all handled in big bills. Of course it has to be first accumulated in the terminal elevators.

The CHAIRMAN. Where do you get your grain; from whom do you purchase it?

Mr. ROBERTS. From the Nabraska farmers.

The CHAIRMAN. You buy directly from the producer?

Mr. ROBERTS. We do a consignment business. They send it in to sell and we sell it to the best advantage. We just do a commission business, and of course the grain comes from the difierent States tributary to Omaha.

The CHAIRMAN. That grain comes from the elevator man?

Mr. ROBERTS. Yes.

The CHAIRMAN. It isn't always the producer that you buy it from?

Mr. ROBERTS. Not directly from the farmer. The farmer sells to his own elevator man; it is accumulated in the country elevators; the country elevators ship it in to the terminal markets, where it is accumulated and moves on to the seaboard, and by the time it gets to the seaboard it is in very big quantities.

The CHAIRMAN. What I am trying to get at is this: I want to trace the wheat. The man who produces it sells first to the local elevator?

Mr. ROBERTS. Yes, sir.

The CHAIRMAN. The local elevator man sells to you?

Mr. ROBERTS. Yes, sir.

The CHAIRMAN. And you sell to the exporter?

Mr. ROBERTS. No; we sell to the terminal elevator man in the market.

The CHAIRMAN. You sell to the terminal elevator man?

Mr. ROBERTS. We sell to the terminal elevator where it is accumulated.

Thd CHAIRMAN. To whom does he sell?

Mr. ROBERTS. He sells as a usual thing to the exporter and the miller. He distributes it.

The CHAIRMAN. When he sells to the miller then it goes to the final man, probably, but when he exports it he sells it to the exporter?

Mr. ROBERTS. Yes.

The CHAIRMAN. And to whom does the exporter sell it?

Mr. ROBERTS. The exporter must sell it to the foreigner.

The CHAIRMAN. That would be the importer in Europe?

Mr. ROBERTS. Yes.

The CHAIRMAN. To whom does the importer in Europe sell?

Mr. ROBERTS. I presume he sells to the mill.

The CHAIRMAN. The man to whom he sells would be considered the consumer of the wheat?

Mr. ROBERTS. Yes; the ultimate consumer.

The CHAIRMAN. Can you state that these profits that these various men, tracing the wheat now from the beginning to the miller over in Europe, make, how much each one of them makes?

Mr. ROBERTS. That is a long story, and it varies so that you can not tell.

The CHAIRMAN. Have you any general idea as to how much per bushel that means from the time you get it from the producer to the time the foreign miller gets it?

Mr. ROBERTS. There are so many things to be taken into consideration. There is the freight rate, for instance.

The CHAIRMAN. Yes; we understand that.

Mr. ROBERTS. Now, I might accumulate a million bushels of grain in Omaha, and by the time it would reach the fellow on the other side I might lose $50,000 or maybe make $100,000; you can't tell. It is like any other business. But with regard to grain or any farm product, I would say—for example, you spoke of wanting three years' time on cotton for foreign governments. Cotton must be manufactured into another article, and it is a long story before the returns come in; but grain is something that moves quickly, is handled quickly, and it doesn't take so long to get a return on it. I don't see why the foreign importer would want more than a year. I don't think the average fellow would want more than six months' time, because it is something that can be turned over quickly.

The CHAIRMAN. But somebody must hold the large bulk of the wheat from the time it is produced until it is consumed. It is produced within a comparatively short length of time but we take a year to consume it. Somebody must hold it.

Mr. ROBERTS. Yes, sir.

Senator RANSDELL. On what theory do you reason that this extension of credit would add considerably to the consumption of wheat and thereby increase the price? How do you figure that out? Do these people have not enough wheat to eat that they would buy more if we would sell it to them on credit?

Mr. ROBERTS. Yes, sir. The increased demand would make the price. When there is a big demand for anything——

Senator RANSDELL. We understand that, but would the increased credit increase the demand?

Mr. ROBERTS. Yes, sir.

Senator RANSDELL. What makes you say that? Are you pretty sure that they have not got enough wheat now, that they need more?

Mr. ROBERTS. Before the war, if you were familiar with conditions in Europe, you know that Russia was the biggest exporter of wheat in the world.

Senator RANSDELL. Yes.

Mr. ROBERTS. That one country raised more breadstuffs that they supplied to other countries than any other country in the world. We all know that Russia is down and out now and not supplying it.

Senator RANSDELL. Yes; we know that, but do you understand that there is a shortage of foodstuffs in those countries?

Mr. ROBERTS. Yes.

Senator RANSDELL. That they would buy a great deal more of that to eat if they could get it, is that the idea?

Mr. ROBERTS. Yes, sir.

Senator RANSDELL. What evidence have you of that? I see that stated in the papers occasionally myself, and I wanted to know if you had any evidence of it.

Mr. ROBERTS. We just have to take the statistics.

Mr. GOULD. We will have a man a little later who will give us evidence of that, Senator.

Senator RANSDELL. All right. I will be glad to have it, because that is really an important point. You want more markets?

Mr. ROBERTS. Yes, sir; to broaden our markets. I would just like to make this statement, in order that you may have this clearly in mind when you are talking legislation. I am going to ask you gentlemen to keep in mind the tenant farmer, who has no land on which to borrow money; you must get something that is going to help him. Then you want to keep in mind the class of farmers, which is the very large majority, that can not borrow money, it makes no difference how much is offered to them, because they have no further collateral. I have a couple of country banks and I know what the situation is in Nebraska. It doesn't make any difference how much money you put into those banks to offer those farmers in the way of further credits, because the Government or nobody else is going to lend money to a man who can not put up satisfactory collateral. That is the position of those people. They can not borrow any more money if we were to offer it to them, because they haven't the collateral.

Senator RANSDELL. Will this bill help the first class that you speak of by increasing the price of his product, as you say?

Mr. ROBERTS. By increasing prices of products, I believe it will enable them to pay off the debts that they already owe; it will keep them going. Those are the two classes that you must keep in mind. You increase the limit of the Federal land banks from $10,000 to $25,000, and that is good for those who can take advantage of it. The extending of credit to a certain class of people is good for those that can take advantage of it, but to take the majority of the farmers, the only salvation they have is to give them an increase in price for their product so that they can pay the debts they already owe. In passing legislation for the farmers you must keep in mind those things, the ones that can take advantage of it and those that can not.

STATEMENT OF LOUIS G. MICHAEL.

The CHAIRMAN. Please state your name and occupation, Mr. Michael?

Mr. MICHAEL. I am at present foreign agricultural economist for the Bureau of Agricultural Economics, Department of Agriculture.

The CHAIRMAN. How long have you been with the Department of Agriculture?

Mr. MICHAEL. About 15 months.

The CHAIRMAN. What was your business before that?

Mr. MICHAEL. Before that I was business representative for a special company organized by certain officials of the National City banking interests and others allied with them to go to the Baltic and attempt to sell American goods to those little countries about the Baltic.

The CHAIRMAN. How long were you engaged in that business?

Mr. MICHAEL. About seven months.

The CHAIRMAN. During those seven months you traveled through Europe, did you?

Mr. MICHAEL. I traveled in Europe. I traveled all through the Baltic States. I lived five months in Esthonia and Latvia, and because I think this is incidental to what I am going to say to you, you should know that I spent seven months in 1917 and 1918 making a grain survey of European Russia and Siberia for a grain syndicate organized by Gen. Samuel McRoberts, of the National City Bank. Previous to that time I spent six and a half years in the Black Sea exporting grain belt under the Russian Government instructing Russian peasants in American methods of agriculture.

The CHAIRMAN. You were there before the war?

Mr. MICHAEL. I was there from 1909 up until the middle of 1916. Do you want me to make a general statement of conditions as I saw them?

The CHAIRMAN. Yes, if you will.

Mr. MICHAEL. In these last 14 months I have been in the Danube States investigating the agricultural situation more particularly with regard to the production of cereals. We heard that Rumania was talking about exporting grain—before the war Rumania was, next to Russia, the greatest competitor of the United States in this

district in the wheat business, and she had issued, in her propaganda, the statement that she had doubled her wheat area, had doubled her potential wheat production and had begun to make contracts with France to the extent of more than 11,000,000 bushels for delivery from the 1921 crop. So I shot over to Rumania to investigate the situation and found that instead of having a potential export to the amount of 96,000,000 bushels, as she had claimed, that she could not export more than 10,000,000 bushels, and that all she actually did export from the 1921 crop was 3,200,000 bushels.

There has been a great drop in wheat production throughout all the Danube States. Not for this committee, but it just happened that way, I was working yesterday on these figures, and they are very pertinent.

Before the war Rumania exported about 62,000,000 bushels of wheat. All that she could export in 1921 was, as I said 3,200,000 bushels.

Bulgaria, before the war, exported 5,900,000 bushels, and all she could export in 1921 was 2,700,000 bushels.

Yugoslavia exported before the war—that is, all those little territories that now form Yugoslavia—3,400,000 bushels and in 1921 she exported 4,200,000. That is an increase, and that I must tell you, is due to the organization of trade in the part of the territory she had acquired up the Danube, and that her western territory has actually suffered for want of foodstuffs, because the trade routes had not yet been established between eastern Yugoslavia and western Yugoslavia.

Hungary before the war exported 23,500,000 bushels, and in 1921 all she could export was 2,800,000.

That makes a total of normal average exports before the war of 95,000,000 bushels of wheat from those four little Danube States, and in 1921 the most that they could export was 13,000,000 bushels, or there was a drop of about 82,000,000 bushels in exportable surplus.

The CHAIRMAN. Have you any figures for 1922 for those countries?

Mr. MICHAEL. They have not made up their exports yet.

The CHAIRMAN. Can you say from your knowledge whether it will be an increase?

Mr. MICHAEL. No, sir: in Rumania there will be no export from the 1922 crop. Some little may seep out, but it won't amount to anything. She has prohibited the export of foodstuffs. I spent 21 days traveling through Bulgaria and she had a shortage of wheat, and I doubt if Bulgaria can export more than 100,000 to 150,000 tons.

Yugoslavia has prohibited the export of foodstuffs. She realizes what her situation was last year and the Government itself is now taking the grain from the excess districts and sending it over into the west to feed her own peoples.

Hungary, through bad legislation, has practically ruined her wheat-flour trade. They have always manufactured most of their wheat into flour. Therefore, this year, from the 1922 crop, we can expect very little wheat from the Danube Basin.

Senator HARRISON. What is the situation with respect to other European countries that did, before the war, export wheat?

Mr. MICHAEL. You refer to Russia?

Mr. HARRISON. Yes.

Mr. MICHAEL. Most of the other European countries were importing countries. The only other grain-exporting country was Russia. Before the war, taking wheat alone, Russia exported 161,760,000 bushels annually. All of this export wheat came from a very restricted district, right around the Black Sea, I should say about 150 to 200 miles wide, including Besarabia, which is now a part of Rumania. I worked in this field, and at the present time there is something like 30,000,000 acres that are lying there idle.

Senator NORBECK. Which were formerly under cultivation?

Mr. MICHAEL. They were formerly under cultivation. It hasn't even been taken up by the peasants. This land was offered in 1921 by the Moscow Government as concessions, possible concessions to foreign capitalists, to come in and develop the country, if they would come in and operate the land with tractors.

The CHAIRMAN. Was that offer accepted at all?

Mr. MICHAEL. It wasn't accepted at all. There was no possible guaranty.

Senator NORBECK. Then you feel that there is a real demand in Europe for our grain if we could offer it on a little different terms?

Mr. MICHAEL. There is a demand and somebody is going to fill it. It is either the United States that is going to fill it or the Argentine or Canada.

Senator NORBECK. Would a reasonable extension of credit on our part give us a good field in those markets, do you think?

Mr. MICHAEL. In all of these countries there is a very kindly feeling toward the United States and they want to be in association with the United States——

Senator HARRISON. You don't mean the League of Nations?

Mr. MICHAEL. No: I mean——

Senator HARRISON. I understand.

Mr. MICHAEL. I mean friendly relations——

Senator HARRISON. Yes; trade relations.

Mr. MICHAEL. I have always been treated beautifully simply on my status as an American citizen. There is a very close association between the feeding of people and national policies. Almost all of these Governments are interested in having their people fed as a matter of national policy, and they take a greater or less part in the getting of foodstuffs to their people and controlling the sale and consumption rate of foodstuffs, and for that reason, of course, they would look very favorably on anything that would help them to feed their people.

Now, as I look at this situation of credit of a country, it depends on whether or not its people are working. You will find throughout most of these Danube States, with the exception of Rumania—and the Rumanian peasant isn't to be blamed for not working, because he has been abominably treated—but in all the other countries the people are working, they are earning money or its equivalent. In many of these countries it is a part of the manufacturer's duty to furnish his working people with a certain amount in kind—meat, flour, and other things—and if a merchant has a chance to turn grain over to a manufacturer and get his money for it, it will be of very great help to such a merchant, and he will look to the market that gives him this advantage rather than where spot cash is required.

The CHAIRMAN. What you mean is, that if grain is given to a manufacturer who pays his laborers in kind, as you say, before that man can get the money to pay for it, won't he have to realize on the things that he is manufacturing?

Mr. MICHAEL. Oh, no.

The CHAIRMAN. Where will he get the money?

Mr. MICHAEL. You mean the manufacturer himself?

The CHAIRMAN. The man who buys the wheat, and, as I understand it, that would be the manufacturer to some extent?

Mr. MICHAEL. I do not know about the grain trade, how those things are specifically handled. I made my studies from the standpoint of production only.

The CHAIRMAN. What I am trying to get is this, whether the time allowed in the bill is sufficient to be practical and workable; that is, six months.

Mr. MICHAEL. Most of the people over there are accustomed to long credits, and while the turnover could probably be made in six months, depending upon the amount of a consignment, of course nine months or a year is much better.

Senator HARRISON. What kind of security do you think they could put up?

Mr. MICHAEL. I should judge a governmental guaranty.

Senator HARRISON. Do you think they have any other securities that are adequate?

Mr. MICHAEL. That I can not say.

The CHAIRMAN. Without the guaranty, taking those places where people are at work, in places where the manufacturers are employing people, would we run very much risk in selling to those people even without a guaranty, but not having anything further than their own personal obligations?

Mr. MICHAEL. It is my personal opinion from traveling around among these peoples that their integrity is quite as high as ours. They are not rascals.

The CHAIRMAN. They are honest?

Mr. MICHAEL. They are honest, just the same as our people are.

The CHAIRMAN. They want to pay?

Mr. MICHAEL. Yes.

The CHAIRMAN. It is only a question of their ability to do so?

Mr. MICHAEL. Yes.

The CHAIRMAN. If a man is in the manufacturing business and buys for his employees, and is successful, he will pay his debts?

Mr. MICHAEL. Yes, sir. That is my impression from talking with large numbers of people in those different countries.

Senator HARRISON. You think there are a lot of solvent industries over there in those sections?

Mr. MICHAEL. Yes.

Senator HARRISON. And they could put up security, even though the Government might come in and back up that security?

Mr. MICHAEL. Well, yes; I suppose so.

Senator NORBECK. Under the bill the governments would indorse their business men in the purchase of foodstuffs?

Mr. MICHAEL. Perhaps this memorandum I have here would interest you. I have just received a letter from the consul at Prague, in which he says that the State control of the flour market by the Czechoslavakian Government since October, 1918, was a continuation of the State control under the Austrian régime, and lasted until August

1, 1922. The exclusive control by the State was partly given up beginning September 3, 1921, after which time only a part of the grain production (40,000 carloads) was requisitioned by the State from the large farmers at a fixed price for the purpose of supplying the poorer classes.

These governments are accustomed to looking after their poor people and seeing that their poor people get breadstuffs at a very reasonable rate, at a rate less than that at which the upper classes get it. They pay for it. They do not make paupers of their people.

"During the period of exclusive state control the whole of the population was supplied with flour by the state. The average prices during this and the following period of part state control of the flour market, as well as the prices of flour on the open market, are shown on the inclosed table.

"During the period from September, 1921, to August, 1922, 5,000,000 persons were supplied with flour by the state at a fixed (low) price, whereas the more well to do classes, about 4,000,000, had to but same in the open market at a higher price and the growers (farmers) with dependent members and workers (about 4,000,000) were excluded from state supply."

Senator NORBECK. Do you feel that a guaranty by those governments would mean ultimate payment?

Mr. MICHAEL. I think there is no question about it. These governments are on the rise. They are coming back, some slower and some faster.

Senator HARRISON. And you feel that there are lots of people in industries that might have good, adequate securities, which would make anyone selling in this country perfectly safe, without guaranty upon the part of the governments, don't you?

Mr. MICHAEL. That also might be.

Senator HARRISON. You say that might be?

Mr. MICHAEL. Yes. As the thing is organized over there, the feeding of the people is more or less under national control.

Senator HARRISON. It has been contended here by some in opposition to this proposition that in the first place there is no market there, that there is no demand for it, that they are getting all they want. Do you agree with that statement?

Mr. MICHAEL. I do not; I positively do not.

Senator HARRISON. It is contended also that they haven't got any securities to put up, and if they did have them that they could buy the grain without any such relief as this. Do you agree with that proposition?

Mr. MICHAEL. My impression is that is not so. But I haven't investigated it from that side and would not like to say.

Senator HARRISON. In other words, they have the securities but haven't got the credit?

Mr. MICHAEL. I think they haven't got the credit. My impression is that many of those concerns could make a very good thing out of their business if they had the credit.

The CHAIRMAN. In mentioning the countries here you have said nothing about Poland. Why do you omit Poland?

Mr. MICHAEL. Because I haven't been in Poland.

The CHAIRMAN. You don't know about the conditions there?

Mr. MICHAEL. No, sir.

Senator NORBECK. What is your impression about conditions there from what information you have; are they fairly well supplied with foodstuffs?

Mr. MICHAEL. That I do not know.

The CHAIRMAN. Do you know anything about the military establishments?

Mr. MICHAEL. In those countries I have mentioned?

The CHAIRMAN. Yes.

Mr. MICHAEL. Yes, sir.

The CHAIRMAN. Has each one of them a large standing army now?

Mr. MICHAEL. There is a good sized army in Rumania and Jugoslavia has a good sized army.

The CHAIRMAN. How big?

Mr. MICHAEL. That I couldn't tell, sir; but it is a fairly large army. Czechoslovakia also has a large army.

The CHAIRMAN. That is so indefinite that it would not convey much of an idea.

Mr. MICHAEL. No, but I would rather not make a statement because I know that the State Department has definite figures on the size of those armies. I was in Hungary when definite figures were sent, and I saw them at the time, but I am not competent to answer that.

The CHAIRMAN. It becomes important because in trying to get legislation of this kind through Congress we are always met with the argument, and it seems to me to have some force, that the guaranty of these Governments is of no account because they are spending all their money in maintaining large armies and consequently sooner or later they will get to fighting and they will destroy whatever credit they have, so that a governmental guaranty doesn't mean much. If the Government goes to pieces necessarily business will follow, and therefore it is such an uncertain proposition to extend credit to them that you are in danger of losing it all. I suppose recent developments that we read about of armies that they have gathered together on the various boundaries, naturally make men with money fearful of investing it there for fear of a war throughout that section of Europe, which would, of course, ruin any kind of credit of both the Government and the people, at least for the time being.

Senator HARRISON. I wonder if we couldn't get those figures and have them put in the record?

Mr. MICHAEL. I could not get them, but you could.

Senator RANSDELL. Could you give us any figures on the shortage of food in Germany this year? I have heard it said that they are short very nearly 2,000,000 tons, that the German crops are only about 60 per cent of normal, and there will be a great deal of suffering there and absolute famine if we do not help them. Is that true?

Mr. MICHAEL. In general that is true. There was a low wheat crop throughout Europe this year. As to definite figures, of course I don't know. I do not care to give out the figures. I expect to go back to Germany and spend seven or eight months there traveling over the country and studying it in detail.

Senator RANSDELL. It is your information that there is a very considerable shortage of agricultural crops in Germany, I believe, with the single exception of potatoes?

Mr. MICHAEL. Not only in Germany, but also in Spain and Italy.

Senator RANSDELL. Russia was reported to be exporting some grain; is that true?

Mr. MICHAEL. It is only seepage.

Senator RANSDELL. I beg your pardon.

Mr. MICHAEL. A little grain might seep out, but it wouldn't be what I would call export grain. I do not think Russia will be back in the exporting game for a generation.

Senator RANSDELL. You spoke of 30,000,000 acres there of fine grain land in Russia which has grown up now and is entirely abandoned?

Mr. MICHAEL. Yes.

Senator RANSDELL. Have you any idea what would be the production per acre of that 30,000,000 acres?

Mr. MICHAEL. I think I can tell you.

Senator RANSDELL. Four or five hundred million bushels, I take it, at least.

Mr. MICHAEL. Oh, you mean all of it?

Senator RANSDELL. The total 30,000,000 acres abandoned?

Mr. MICHAEL. It would be about 300,000,000 bushels.

Senator RANSDELL. They must have had very poor yields.

Mr. MICHAEL. They had low yields, yes.

Senator RANSDELL. Not as great as the yields in this country?

Mr. MICHAEL. No; that country is subject to too little rainfall at the proper growing seasons, and they have to practice moisture conservation.

Senator RANSDELL. You would think something like 7 or 8 bushels and acre?

Mr. MICHAEL. I would think nearer 10 to 12 bushels on the average. The peasants get 6 to 8.

Senator NORBECK. You spoke of Russia not being able to get back into the export business for a generation or more.

Mr. MICHAEL. Yes.

Senator NORBECK. What do you base that conclusion upon?

Mr. MICHAEL. I went to Europe with the theory, on account of my experience in Russia, that given an opportunity to exchange their grain for the things they need, such as raw iron, raw cotton, etc., that it would be only a matter of two or three years before Russia would be back in the grain export trade. During this trip I went up into Besarabia and made a detailed study of what had occurred there when the peasants had taken charge of the large estates, and the farming was changed from large estate farming to small peasant farming. The large estate, as I said, was successful because they practiced moisture conservation, summer fallowing. The peasants could not and can not practice such methods, but they are at the mercy of climatic conditions. Then peasant farming is more general farming. The large estate farming was intensified wheat production; everything centered around the wheat production, much the same as in Iowa it centers about corn production and hog growing. The peasant grows more corn, more barley, more oats, and more forage than the estates. When the peasants took over the estates in Besarabia there was a drop in the area that was seeded to wheat and there was, also, a drop in the yield to the extent of about half

of what the yield had formerly been per acre, and the combination of those two drops, the drop in the area seeded, and the drop in the yield per acre, just wiped out the export wheat from Besarabia. It was just about the amount that Besarabia has formerly exported.

Senator NORBECK. Those people will, of course, need foodstuffs and the land will come into cultivation in one way or another——

Mr. MICHAEL. That land will probably be cultivated by the peasants according to their customs and according to their habits. What has happened in Bessarabia I believe will be repeated in the Black Sea belt.

Senator NORBECK. In other words, in the whole Russian wheat field?

Mr. MICHAEL. In the whole Russian wheat field, and that there will be very little surplus to be exported.

The CHAIRMAN. As I understand your conclusions they are that these peasants, instead of confining their energies to the production of wheat alone, have commenced to engage in diversified farming?

Mr. MICHAEL. Yes, sir.

The CHAIRMAN. While that would result in the production of less wheat, it will result in an increased production in stock and such things as that?

Mr. MICHAEL. Yes.

The CHAIRMAN. And increased corn?

Mr. MICHAEL. That is just what has happened throughout all of the Danube Basin; there has been an increase in live stock everywhere.

The CHAIRMAN. They have hogs and cattle?

Mr. MICHAEL. Yes. When you go over to the peasant farming you get an increase in corn and an increase in hogs and cattle.

The CHAIRMAN. And sheep?

Mr. MICHAEL. That is a grazing proposition of the large estates, and they (the peasants) do not go into it so much.

Senator RANSDELL. Instead of exporting wheat alone these people have other foodstuffs to export, as I understand you?

Mr. MICHAEL. They will export barley, sir.

Senator RANSDELL. And meats?

Mr. MICHAEL. And meats; yes.

Senator RANSDELL. So that they will be exporters of something to eat?

Mr. MICHAEL. Later on; yes. I believe that all this Black Sea district will change from wheat exporting——

Senator RANSDELL. But they will be exporting foodstuffs to feed the human animal?

Mr. MICHAEL. Yes.

The CHAIRMAN. That will take several years, of course?

Mr. MICHAEL. Yes; it will take a large number of years.

Senator NORBECK. Would that be really an offset in the food markets of the world?

Mr. MICHAEL. For wheat?

Senator NORBECK. In food stuffs. Although they don't produce the same things they will export as much food eventually as they did before?

Mr. MICHAEL. But there is another peculiar thing that is happening, while we are on this subject, and it is very important, and that is that the export of grain from Russia was due to the fact that the peoples were underfed. The export of wheat from Rumania was possible because the peasant ate only 14 pounds of wheat a year. He was forced to make up his cereal diet with corn, and he eats 620 pounds of corn a year. Now, the peoples are eating more. The peculiar thing that has taken place throughout all that district is that the peasants are eating meat almost every day, they are beginning to eat wheat, and this is another reason for the cutting down of the export of foodstuffs.

The CHAIRMAN. They are eating more food?

Mr. MICHAEL. Yes; and the condition of the peasants to-day throughout all of this district is better than it has ever been before, infinitely better.

Senator NORBECK. Why does the peasant put in barley, oats, and so on, instead of wheat, when wheat will produce better than the other crops in the same ground?

Mr. MICHAEL. It is a matter of psychology. I have worked for six years among the peasants. They are very primitive. The Rumanian peasant is as primitive as our negro was at the close of the Civil War, perhaps even more so. It takes foresight to plant winter wheat. You have to look ahead. When they see their fields bare in the spring, it doesn't take foresight to plant those fields and they go on and plant anything that comes to hand until all their fields are planted. I have seen them in Besarabia plant maize up until the middle of July, just simply to fill up the fields. Of course they didn't get anything from it except forage.

Senator NORBECK. What were the exports of rye from Russia, the total exports from that whole country?

Mr. MICHAEL. Thirty-five million bushels of rye.

The CHAIRMAN. From Russia?

Mr. MICHAEL. Yes. They exported very little rye. Rye was the grain they ate. But even before the war the peasants of Russia were beginning to eat more wheat throughout Russia generally.

The CHAIRMAN. Your information about the Rumanian peasant is very interesting. Is it not true that the Rumanian peasant is rather lower down, both in intelligence and because he has been oppressed more than most any of the other peasants in any of those countries?

Mr. MICHAEL. He has been held down. It makes one's blood boil when one sees the treatment of the Rumanian peasant. He has been held down and ground down more than any other peasant in Europe.

The CHAIRMAN. Is he of a warlike nature?

Mr. MICHAEL. No.

The CHAIRMAN. He submits to it?

Mr. MICHAEL. He is mild natured, yes.

The CHAIRMAN. The peasant is very unintelligent?

Mr. MICHAEL. He is uneducated, sir. I worked among the peasantry of several different nationalities and bloods. I worked with the boys; I had 1,500 boys work with me, and I found the boy of Rumanian blood up to 14, 15 or 16 years of age was just as bright as any boy. I have worked among American boys also, and the Rumanian boys are subject to the same influences, they have the same ideals, and they are just as good as our boys, and I say that those people are not unintelligent, but they have had no education, and they are ground down by custom, by superstition, and by habits.

The CHAIRMAN. Are they improving in any way. Is Rumania any better since the war?

Mr. MICHAEL. It is a little too soon to tell. They are eating better, and that is one factor in their favor.

Senator NORBECK. Just to get it in the record, will you give the figures of the annual total export from those countries?

Mr. MICHAEL. I have the total export from Russia. The total export from Russia of all cereals before the war was 460,000,000 bushels. The total export from the United States of cereals before the war was 167,000,000 bushels. The total export from the United States in 1920 was 426,000,000 bushels. She has just about taken the place of Russia.

Senator NORBECK. The total exports for Russia and the Danube States would be approximately about what?

Mr. MICHAEL. The total pre-war export from Russia and the Danube States was 255,000,000 bushels of wheat and in 1921 the total exports from this same area were 13,000,000 bushels.

Senator RANSDELL. Have you any information on the production of cotton in Russia?

Mr. MICHAEL. You mean at the present time?

Senator RANSDELL. Yes.

Mr. MICHAEL. I have some general information. Cotton in Russia was produced down in Central Asia in what is known as the Buchara district. This district was formerly a district of general agriculture, but because the soil was well suited to cotton growing the peasants all gave up growing cereals and grew cotton and obtained their cereals from the Ural district by railroad. Of course, when the war came on, and more particularly when the Bolshevists disrupted transportation, these people down there nearly starved to death because they could not get any food supplies from Russia, and therefore they have gone back to general agriculture and given up cotton production. My opinion is that it will take a great deal of work and a great deal of time before they will have confidence enough to go ahead and produce cotton again. It will be generations before they will come back into the cotton market on the same basis that they were on before the war.

STATEMENT OF HON. A. P. NELSON, OF WISCONSIN.

Mr. NELSON. Mr. Chairman, I realize that this is probably an inopportune time for me to make a statement, and I would like to have your permission to file a statement for the record, together with some letters which I have, which I think should go in.

The CHAIRMAN. We have had a vast number of letters at this hearing, and we have not put them in because it would make such a voluminous record that it would not be read. I suggest that you submit the letters to Senator Norbeck and let him put in what he wishes to.

Mr. NELSON. I would be glad to do that.

Senator NORBECK. You have letters from some large bankers?

Mr. NELSON. I have a letter from the commissioner of agriculture of the State of Wisconsin, who, I think you all recognize is a very able man. I also have a letter from Mr. H. A. Molinpaugh, formerly a member of the Federal Reserve Board, and also one from Mr. Gwamley, president of the Federal land bank in St. Paul, who is quite familiar with agriculture.

The CHAIRMAN. That is all you have? You may put them in now if you care to. I do not want to cut out any letters, because I realize that many of them are very important, but we have been compelled to cut out a great many of them in order to cut the record down.

Mr. NELSON. I realize that, Mr. Chairman, and I will confer with Senator Norbeck and submit a brief statement and submit these three letters, and a fourth one, if you think best, for the record.

The CHAIRMAN. That will be entirely satisfactory.

STATEMENT OF FRANK RIDGWAY, CHICAGO, ILL.

The CHAIRMAN. For the purposes of the record, Mr. Ridgway, will you state your name and your business?

Mr. RIDGWAY. Frank Ridgway. I am agricultural editor of the Chicago-Tribune. My position in this is more or less neutral and one of rather passing information on to you; that is, giving you the opinions of other men rather than my own opinion. I talk with economists, farmers, bankers, and grain men, and these are my conclusions, roughtly, after I have chatted with all these men, received letters from them, and talked to them over the telephone, and that is that the farmers everywhere have surplus grain and they need a market. All of us will admit that. The question is how are we going to get a market. Its needs have been brought to your attention with great force by the testimony of the last gentleman, whose statements have been important and vital. He has said that there is a market in Europe for the grain, and there is great need of it because of the deficit of export grain from the Danube States and from Russia. He says that it is an enormous amount, which means that our market is much greater than it was, and the next question is whether we can develop that market. He says that the people are anxious to buy our grain and they feel friendly toward us, and that if we extend credit we should be able to ship grain to that country.

Then our next question is whether we could get our money back if we sent the grain over there, and Mr. Michael has answered that question by saying that the countries are in good condition to do that; that at least the Governments would guarantee it. While he was timid about making his remarks, in private conversation with me he told me he thought the importers there would be able to do it, but he doesn't want to go on record as saying that, because of his position. His personal opinion is that the importers over there would be able to give us good security and would be able to pay their debts. That is the big thing with us, because we do not want to lose money from the Treasury in selling grain to any other country.

The CHAIRMAN. It has occurred to me that possibly from your position you have more information than the rest of us with regard to the possibility or probability, rather, of our getting our money back when we make these sales. This bill provides that the instrumentalities set up shall in effect sell farm products to the importers over there. Do you know anything about the importers?

Mr. RIDGWAY. I only know this; in addition to the statement made by Mr. Michael a few moments ago, which supports what I had already heard, that grain exporters in this country are now shipping grain to that country and are getting their money. Those are big concerns, good business men, and they are extending credit and feeling safe in doing it.

The CHAIRMAN. If they are doing that, what is the necessity for this legislation?

Mr. RIDGWAY. I asked grain men the question, why should we extend credit, and they said that the markets had advanced, that the demand had increased to such an extent that they were not prepared to extend the necessary credit, although they felt safe with the credit that they had extended at the present time.

The CHAIRMAN. Does that mean that those private parties that are doing business on good credit, have got all the good credit, and if we go into the business through this agency set up in the bill, that we will have to take a lower grade of credit?

Mr. RIDGWAY. My answer to that would be a general one, from placing two and two together, but exporters have assured me that they have not scooped up all the good credit in Europe, but that there is plenty of good security left.

The CHAIRMAN. Why don't they enlarge their business and scoop the balance of it up?

Mr. RIDGWAY. That is a good question to ask. They haven't answered it to me, but I suppose there is a limit to private business, and that they feel, as private concerns, that they can only go so far, which of course is good business on their part. Let me analyze it in this way. A farmer goes in business and take a certain amount of money invested in a thousand acres of land. That is a pretty big proposition to him and he feels that he had better not take any more on, but had better concentrate on managing what he has. I think the business people feel the same way, that they don't want want to go too far.

The CHAIRMAN. In other words, the concerns that are now engaged in the business are unable to handle it all?

Mr. RIDGWAY. That is the impression I got from the grain men I have talked with.

The CHAIRMAN. What impression have you about the time it is going to take; how much time as a rule will they have to have in making these sales?

Mr. RIDGWAY. It means they would have to allow time to load the grain here, sell it to the importer, and also give the importer time to ship the grain and get it to the miller and from the miller to the baker and for the baker to make it up into loaves of bread and sell it, so that money could be collected to pay back to us.

The CHAIRMAN. In other words the money would have to start at the other end and work back this way.

Mr. RIDGWAY. Yes, sir. Just how long that will take I do not know. Estimates have been made, based on practical experience, that it would take around six to nine months—some have put it lower than that—but I think that is meant to be the maximum limit.

The CHAIRMAN. We must always take into consideration that it is produced in a relatively short time, but it takes a year to consume it and somebody has got to carry it during that time. We can not consume it all at once; it has all got to be handled on as orderly a market as possible, and who is going to carry it?

Mr. RIDGWAY. It would be carried perhaps in two ways. One way is that farmers in this country should be encouraged to hold it——

The CHAIRMAN. The only farmer that can hold it is the man who has financial ability to do so, to get credit, and there is no credit extended to the tenant farmer, who has to sell right away.

Mr. RIDGWAY. And we couldn't say to the tenant farmer that he should sell it, and then say to the man that is able to hold it that he should hold it. These men that are shipping the grain to Europe are shipping it through natural channels. They can hold the grain and can extend the credit over nine months, but I do not believe they are extending it more than that——

The CHAIRMAN. But assuming that most of the wheat would have to be put on the market within a reasonably short time after it had been produced, it seems to me that this Government agency at least would have to carry some of the grain, or it would have to carry the men who did buy it until near the next harvest time.

Mr. RIDGWAY. They could carry a part of it but not all of it. The exports going through the channel at any one particular time, relatively, are not so big, as I understand it. Our grain comes on the market at different times, beginning in Texas early and continuing north as the grain ripens.

The CHAIRMAN. We will adjourn at this time, gentlemen until 10.30 to-morrow morning.

(The following statement by Mr. Silver was received after the committee had acted upon the Norbeck bill.)

STATEMENT OF GRAY SILVER, WASHINGTON REPRESENTATIVE OF THE AMERICAN FARM BUREAU FEDERATION, FAVORING THE PASSAGE OF THE NORBECK-NELSON BILL PROVIDING FOREIGN CREDITS FOR FARM EXPORTS.

Acting upon the resolution—"We approve the extension of such credits as will facilitate the financing of exportation of surplus agricultural commodities through the War Finance Corporation and its successor"—adopted at the recent annual convention of the American Farm Bureau Federation, Chicago, I am here to support the Norbeck-Nelson bill.

America has a surplus of grain. Europe's exporting countries have fallen short in grain production and will not be able to meet the demand of western and central Europe for at least a generation. This vast market is open to farmers in the United

States. Europe would buy more of our surplus agricultural products if she could get distributive credits. America can extend credit through the War Finance Corporation to these foreign buyers.

The Norbeck-Nelson bill provides that the War Finance Corporation shall furnish a revolving fund of $250,000,000 to be used in buying drafts against responsible foreign importers, guaranteed by their governments, against the shipments of wheat, dairy products, wool, meats, cotton, and other farm products from the United States. Any country would be eligible to take advantage of this credit. Europe greatly needs our farm products and will buy from us rather than other nations, such as Argentina, Australia, and India, if we can give credit.

Putting the principles of this bill into operation does not mean that the Government will go into the business of buying and selling, for it in no sense provides for it to do so. With the War Finance Corporation machinery already in existence, this bill, if passed, will provide quick relief and will have a strong tendency to boost farm prices. Farmers will get the direct benefit of these better prices if Congress will act quickly to pass this bill.

The only way Europe, which is our best foreign customer, can buy large quantities of our surplus foodstuffs is on credit. European buyers can not pay cash or extend credits, because America has half the gold supply of the world, and that is the basis of credit. Extensive buying is not possible through the exchanging of goods with conditions as they are to-day.

The passing of this bill would not only help the farmer, but would add greatly to the prosperity of the whole country. It would increase the buying power of America's 40,000,000 farmers, who normally buy 40 per cent of the manufactured articles of this country.

A GREAT OUTLET FOR OUR WHEAT.

The shifting of production due to the ravages of war has so altered the cereal production map of Europe that the United States has a great opportunity to step in and take the place, for the next generation at least, of Russia which formerly was one of the greatest wheat exporting nations of the world. Before the war Russia in normal years produced an exportable surplus of 160,000,000 bushels of wheat. Now she barely feeds herself under normal conditions with her own commodities; and, with the exception of artificial sporadic or small "forced exports," this condition will continue for some years. In a like manner the big grain producing centers of the Danube basin and along the Black Sea have since the war failed by a great degree to supply their normal quota of wheat for export. This great area, comprising part of Hungary, Yugoslavia, Bulgaria, and Rumania for years constituted one of the great sources of the world's wheat, producing 95,000,000 bushels for export in normal years. In 1921 the maximum exported was 13,000,000 bushels, a drop of 82,000,000 bushels. There are one and one-half times as many people in this area as in the United States.

Outside the districts already mentioned Europe is a consumer and not a surplus producer of wheat. And not only is there a marked shortage in the production of surplus wheat in the formerly excess-producing territories mentioned above, but further than that the production in many of the consuming countries have fallen off materially, thus adding still further to the total European deficit.

GREAT LOSS IN SURPLUS-PRODUCING NATIONS OF EUROPE.

An indication of the source of surplus wheat in the world is shown by the excess of production over consumptive demands in 1920. In the United States there was an export surplus of 307,000,000 bushels, Canada 144,000,000 bushels, India 10,000,000 bushels, Australia 102,000,000 bushels, Argentina 60,000,000 bushels. The question therefore boils down to a simple matter of mathematics. As the European surplus is greatly reduced those countries must draw from the surplus-producing countries. Before the war Russia contributed alone 155,000,000 bushels, Rumania, Bulgaria, Yugoslavia, and Hungary contributed to the exportable surplus 95,000,000 bushels, but in 1921 it had dropped to 13,000.000 bushels; therefore we may safely say that the producing power in the surplus-producing countries of Europe has decreased about 240,000,000 bushels of wheat, while in the importing countries production has dropped many millions bushel more.

Europe is practically the only market for our surplus wheat so we must take care of that market in order that we may continue to be a surplus-producing Nation. Europe can balance all of this wheat deficit by imports from the United States. We exported to Europe 307,000,000 bushels in 1920, which is 207,000,000 more than our pre-war performance; but with better merchandising facilities we could have increased this to the light of our unexported surplus. In good crop years this surplus could be increased materially in small crop years exports of this size would be a material factor in permitting farmers to obtain prices for wheat which would compensate them for their labors, something they have not been able to do because of the low domestic price for the past years.

Argentina, Australia, and India will attempt to enter the European market to an increasing extent. Also Canada will strive to contribute more liberally. Obviously the market in Europe is open and the War Finance Corporation, if it were liberalized to extend credit to reputable foreign importers whose drafts would be underwritten by their Governments, could put the United States in the position in which we could get the share of the European wheat business in keeping with the magnitude of our agriculture.

We have passed from a debtor to a credit nation, and the other nations that were able to finance their demand under pre-war conditions now find themselves cramped to finance their ordinary operations on account of the large amount of gold which is now held by the United States. This, of course, reflects upon us. If we could finance the buyers over there, temporarily extending credit, we would get the grain out of this country more quickly.

GOVERNMENTS ALREADY INTERESTED.

The people of most of the countries of central Europe, and certainly those of western Europe, are working and must be fed. The feeding of the population in many countries was, and still is, a matter of national policy. In several countries the employers of labor must provide, in addition to a cash wage, daily rations of flour, meat, and other foods. Due to the scarcity of cash, it is difficult to get sufficient quantities of bread grains into these countries and consequently the local prices are abnormally high, cutting down consumption. There is no factor that would so stimulate consumption as easing up on the payments (extension of credit) so that enough grain could be gotten into these countries to more nearly equal their normal demand.

Governments that have been taking the full responsibility of feeding their peoples will certainly guarantee the transactions of their reputable merchants in handling this trade. Under sufficiently elastic conditions, many of these merchants, through their banks, could beyond doubt furnish satisfactory security to swing their own operations.

The people and merchants of most of these countries are quite as honest and trustworthy as the people of the United States, only their methods are somewhat different than ours and they are accustomed to longer credits in liquidating transactiovs than we are. But there is little question as to their finally paying their just obligations. In fact, self-preservation being the first law of nature, these people must submit to any terms that will supply them with the basic materials of life—food and raw materials for clothing.

Farmers in the United States have been in financial distress for months. Prices of commodities which they buy are about 169 per cent of what they were in 1913, whereas the prices of commodities which sell, according to the Department of Agriculture's estimates, are only about 62 per cent of 1913 prices. The prices of cereals are not far out of line with those of other commodities which the farmers have to sell. We therefore believe that if the surplus wheat could be moved rapidly out of this country by the extension of credits through the War Finance Corporation or other agencies that the market would quickly register an advance in price, which would be of material benefit to the farmers and at the same time be reflected in a marked impetus in industry. This in turn would benefit the consumer.

It long has been an economic maxim that a slight surplus has a bearish effect upon the market until the surplus is removed; that a one-tenth surplus has a two-tenths depressing value on prices. Conversely, the paucity of one-tenth will increase prices two-tenths.

It would do little or no good for the Government itself to purchase wheat and hold it. England long ago gave serious thought to such policy and abandoned it in favor of a navy. The continued existence of a surplus, it means relatively little difference where it is, has a bearish effect upon the market within a country. If the Government should purchase the grain we would be merely dealing among ourselves and it is therefore essential to get it to the ultimate consumer. It is only by the actual consumption of the grain that we can relieve the bearish pressure of our surplus on the market. Government purchase of wheat would be as futile as Government price fixing. If our wheat is to be consumed we must adopt instrumentalities which will get it to the consumer. We are therefore asking the Government to extend this instrument whereby the needy of Europe may be able to purchase our surplus.

(Whereupon, at 12 o'clock noon, the committee adjourned until to-morrow, Wednesday, January 24, 1923, at 10.30 o'clock a. m.)

MSH # 22755

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TITLE